

**ADES HOLDING COMPANY
(Listed Joint Stock Company)
AND ITS SUBSIDIARIES**

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH
2024 (UNAUDITED)**



Ernst & Young Professional Services (Professional LLC)
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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF ADES HOLDING COMPANY (A LISTED JOINT STOCK COMPANY)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of ADES Holding Company ("the Company") and its subsidiaries (collectively referred to as "the Group" as at 31 March 2024, and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period then ended, and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young Professional Services

Marwan S. AlAfaliq
Certified Public Accountant
License No. (422)



Al Khobar: 6 Dhu Al-Qi'dah 1445H
14 May 2024

ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three-month period ended 31 March 2024 (Unaudited)

(All amounts in thousands Saudi Arabian Riyal (SAR), unless otherwise stated)

| | | <i>For the three-months period ended</i> | |
|--|--------------|--|----------------------|
| | | <i>31 March 2024</i> | <i>31 March 2023</i> |
| | | <i>(Un-audited)</i> | <i>(Un-audited)</i> |
| | <i>Notes</i> | <i>SAR '000</i> | <i>SAR '000</i> |
| Revenues from contracts with customers | 4 | 1,532,070 | 954,856 |
| Cost of revenue | 5 | (929,384) | (583,303) |
| GROSS PROFIT | | 602,686 | 371,553 |
| General and administrative expenses | 6 | (108,555) | (99,570) |
| End of service employment benefits | | (13,643) | (9,953) |
| Share-based payments expense | 20 | (40,663) | - |
| Finance costs, net | 7 | (199,453) | (150,898) |
| Other taxes | | (5,277) | (1,860) |
| Other expenses | | (6,674) | (5,403) |
| Other income | | 2,936 | 237 |
| PROFIT FOR THE PERIOD BEFORE INCOME TAX AND ZAKAT | | 231,357 | 104,106 |
| Income tax and zakat expenses | 8 | (30,509) | (14,696) |
| PROFIT FOR THE PERIOD | | 200,848 | 89,410 |
| Attributable to: | | | |
| Equity holders of the Parent | | 197,361 | 87,562 |
| Non-controlling interests | | 3,487 | 1,848 |
| | | 200,848 | 89,410 |
| Earnings per share basic and diluted attributable to equity holders of the parent (In SAR per share) | 19 | 0.18 | 0.54 |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | | |
| <i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods (net of any tax)</i> | | | |
| Net gain/(loss) on cash flow hedge | | 66,537 | (6,288) |
| OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX | | 66,537 | (6,288) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX | | 267,385 | 83,122 |
| Attributable to: | | | |
| Equity holders of the Parent | | 263,898 | 81,274 |
| Non-controlling interests | | 3,487 | 1,848 |
| | | 267,385 | 83,122 |

The attached notes 1 to 24 form an integral part of these unaudited interim condensed consolidated financial statements

ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024 (Unaudited)

(All amounts in thousands Saudi Arabian Riyal (SAR), unless otherwise stated)

| | Notes | 31 March 2024 (Un-audited) SAR'000 | 31 December 2023 (Audited) SAR'000 |
|--|-------|--|--|
| ASSETS | | | |
| Non-current assets | | | |
| Property and equipment | 13 | 16,628,205 | 16,149,784 |
| Intangible assets | | 3,939 | 354 |
| Right of use assets | 14 | 610,702 | 643,617 |
| Derivative instruments | 22,21 | 121,743 | 51,517 |
| Prepayments and other receivables | 12 | 69,917 | 221,366 |
| Total non-current assets | | 17,434,506 | 17,066,638 |
| Current assets | | | |
| Inventories | 10 | 384,375 | 331,892 |
| Trade receivables | 11,21 | 862,128 | 844,731 |
| Contract assets | 11,21 | 503,050 | 389,489 |
| Due from related parties | 21 | 5,105 | 5,105 |
| Prepayments and other receivables | 12 | 519,602 | 352,315 |
| Bank balances and cash | 9,21 | 474,607 | 432,282 |
| Total current assets | | 2,748,867 | 2,355,814 |
| TOTAL ASSETS | | 20,183,373 | 19,422,452 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 18 | 1,129,063 | 1,129,063 |
| Share premium | 18 | 2,890,367 | 2,890,367 |
| Treasury shares | 18 | (33,872) | (33,872) |
| Cash flow hedge reserve | | 107,687 | 41,150 |
| Share-based payment reserve | 20 | 40,663 | - |
| Retained earnings | | 1,918,893 | 1,721,532 |
| Equity attributable to equity holders of the parent | | 6,052,801 | 5,748,240 |
| Non-controlling interests | | 32,154 | 28,667 |
| Total equity | | 6,084,955 | 5,776,907 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Interest-bearing loans and borrowings | 17,21 | 9,064,251 | 9,169,595 |
| Lease liability | 14 | 456,755 | 487,358 |
| Provisions | | 209,898 | 199,144 |
| Deferred revenue | 16 | 878,184 | 579,912 |
| Deferred tax, net | | 62,128 | 61,331 |
| Other payables | | - | 729 |
| Total non-current liabilities | | 10,671,216 | 10,498,069 |
| Current liabilities | | | |
| Trade and other payables | 15 | 1,880,365 | 1,639,120 |
| Deferred revenue | 16 | 373,091 | 287,749 |
| Income tax payable | 8 | 60,610 | 30,218 |
| Interest-bearing loans and borrowings | 17,21 | 1,105,135 | 1,180,103 |
| Provisions | | 8,001 | 10,286 |
| Total current liabilities | | 3,427,202 | 3,147,476 |
| Total liabilities | | 14,098,418 | 13,645,545 |
| TOTAL EQUITY AND LIABILITIES | | 20,183,373 | 19,422,452 |



Dr. Mohamed Farouk
Vice Chairman



Hussein Badawy
Chief Financial Officer

The attached notes 1 to 24 form an integral part of these unaudited interim condensed consolidated financial statements

ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three-months period ended 31 March 2024 (Unaudited)

(All amounts in thousands Saudi Arabian Riyal (SAR), unless otherwise stated)

| | <i>Attributed to the equity holders of the parent</i> | | | | | | | | |
|--|---|--------------------------------------|--|--|--|--|--------------------------|--|-------------------------------------|
| | <i>Share capital SAR'000</i> | <i>Share premium SAR'000</i> | <i>Treasury shares SAR'000</i> | <i>Cash flow hedge reserve SAR'000</i> | <i>Retained earnings SAR'000</i> | <i>Share based payment reserve SAR'000</i> | <i>Total SAR'000</i> | <i>Non- controlling interest SAR'000</i> | <i>Total equity SAR'000</i> |
| Balance at 1 January 2024 – Audited | 1,129,063 | 2,890,367 | (33,872) | 41,150 | 1,721,532 | - | 5,748,240 | 28,667 | 5,776,907 |
| Profit for the period | - | - | - | - | 197,361 | - | 197,361 | 3,487 | 200,848 |
| Other comprehensive income | - | - | - | 66,537 | - | - | 66,537 | - | 66,537 |
| Total comprehensive income | - | - | - | 66,537 | 197,361 | - | 263,898 | 3,487 | 267,385 |
| Share-based payments (note 20) | - | - | - | - | - | 40,663 | 40,663 | - | 40,663 |
| Balance at 31 March 2024 (Un-audited) | 1,129,063 | 2,890,367 | (33,872) | 107,687 | 1,918,893 | 40,663 | 6,052,801 | 32,154 | 6,084,955 |

The attached notes 1 to 24 form an integral part of these unaudited interim condensed consolidated financial statements

ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three-months period ended 31 March 2024 (Unaudited)

(All amounts in thousands Saudi Arabian Riyal (SAR), unless otherwise stated)

| | <i>Attributable to the equity holders of the parent</i> | | | | | | |
|---|---|-----------------------------|--------------------------------|--------------------------|----------------|----------------------------------|---------------------|
| | <i>Share capital</i> | <i>Capital contribution</i> | <i>Cash-flow hedge reserve</i> | <i>Retained earnings</i> | <i>Total</i> | <i>Non-controlling interests</i> | <i>Total equity</i> |
| | <i>SAR'000</i> | <i>SAR'000</i> | <i>SAR'000</i> | <i>SAR'000</i> | <i>SAR'000</i> | <i>SAR'000</i> | <i>SAR'000</i> |
| Balance at 1 January 2023 – (Unaudited) | 1,000 | 857,087 | 61,771 | 1,302,223 | 2,222,081 | 36,349 | 2,258,430 |
| Profit for the period | - | - | - | 87,562 | 87,562 | 1,848 | 89,410 |
| Other comprehensive loss | - | - | (6,288) | - | (6,288) | - | (6,288) |
| Total Comprehensive income | - | - | (6,288) | 87,562 | 81,274 | 1,848 | 83,122 |
| Share capital issuance | 857,087 | (857,087) | - | - | - | - | - |
| Transaction with the shareholders | - | - | - | 9,129 | 9,129 | - | 9,129 |
| Balance at 31 March 2023 (Un-audited) | 858,087 | - | 55,483 | 1,398,914 | 2,312,484 | 38,197 | 2,350,681 |

The attached notes 1 to 24 form an integral part of these unaudited interim condensed consolidated financial statements

ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three-month period ended 31 March 2024 (Unaudited)

(All amounts with thousand Saudi Arabian Riyal (SAR), unless otherwise stated)

| | <i>Notes</i> | <i>31 March 2024 (Un-audited) SAR'000</i> | <i>31 March 2023 (Un-audited) SAR'000</i> |
|---|--------------|---|---|
| OPERATING ACTIVITIES | | | |
| Profit for the period before income tax and zakat | | 231,357 | 104,106 |
| Adjustments for: | | | |
| Depreciation of property and equipment | 13 | 253,337 | 133,070 |
| Amortisation of intangible assets | | 176 | 49 |
| Depreciation of right of use assets | 14 | 45,876 | 28,593 |
| End of service employment benefits | | 13,643 | 9,953 |
| Share-based payments expense | 20 | 40,663 | - |
| Finance costs, net | 7 | 199,453 | 150,898 |
| Share of results of investment in a joint venture and associate | | - | 1,699 |
| | | 784,505 | 428,368 |
| Working capital changes: | | | |
| Inventories | | (52,483) | (25,800) |
| Trade receivable | | (17,397) | (279,179) |
| Contract assets | | (113,561) | (59,826) |
| Due from related parties | | - | 357 |
| Prepayments and other receivables | | 21,165 | 261,207 |
| Trade and other payables | | 143,760 | 214,189 |
| Deferred revenue | | 383,614 | (131,946) |
| Due to related parties | | - | (37) |
| Cash flows from operations | | 1,149,603 | 407,333 |
| Income tax paid | | (3,008) | (2,972) |
| Provisions paid | | (5,172) | (5,810) |
| Net cash flows from operating activities | | 1,141,423 | 398,551 |
| INVESTING ACTIVITIES | | | |
| Purchase of property and equipment | | (774,228) | (1,034,933) |
| Net cash flows used in investing activities | | (774,228) | (1,034,933) |
| FINANCING ACTIVITIES | | | |
| Proceeds from loans and borrowings | 17 | 1,965 | 1,022,384 |
| Repayment of loans and borrowings | 17 | (187,077) | (91,908) |
| Finance cost paid - net | | (89,280) | (72,562) |
| Payment of lease liabilities | 14 | (50,478) | (32,227) |
| Net cash flows (used) / from financing activities | | (324,870) | 825,687 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 42,325 | 189,305 |
| Cash and cash equivalents as at 1 January | 9 | 432,282 | 190,829 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 9 | 474,607 | 380,134 |

Refer Note 1 and Note 20 for significant non-cash transactions.

ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three-months period ended 31 March 2024 (Unaudited)

(All amounts in thousands Saudi Arabia Riyal (SAR), unless otherwise stated)

1 BACKGROUND

Corporate information

ADES Holding Company (the “Company” or the “Parent Company”) was incorporated on 28 December 2022 as a mixed closed joint stock company limited under Saudi laws. ADES Investment Holding Ltd is the ultimate controlling party (the “ultimate controlling party”) of the Company. The Company and its subsidiaries together are referred as the “Group”.

On 28 December 2022, pursuant to the reorganisation, the Shareholders established the Company as a new holding company with a share capital of SAR 1,000 thousand. The Company became the new holding company of the Group through transfer of all issued and outstanding shares of ADES International Holding Ltd (the intermediate holding company of the Group) from ADES Arabia Holding Company (then existing holding company) to the Company. As a result of the aforementioned transfer of shares, during the period ended 31 March 2023, the Company issued additional shares for the amount of SAR 857,087 thousand at par to the Shareholders (as a result the total share capital post increase SAR 858,087 thousand). There was no change to the Shareholders and their relative shareholdings before and after the reorganisation. On 12 March 2023, the Board of Directors of the Company proposed to issue additional shares for the amount of SAR 270,975 thousand at par value (as a result the total share capital post increase will be SAR 1,129,062 thousand). As a result of the aforementioned transfer of shares, the Company issued additional shares for the amount of SAR 857,087 thousand at par to the shareholders in June 2023 (as a result the total share capital increased to SAR 858,087 thousand).

At the time of the reorganisation, ADES International Holding Ltd (the intermediate holding company of the Group) owned all the Group entities and its investments in joint ventures and associates (together the “Existing Group Entities”) directly or indirectly through its subsidiaries.

As the Company is not a business and the reorganisation did not result in any change of economic substance, it is not considered as a business combination as defined by IFRS 3 Business Combinations.

On 21 June 2023, the Capital Market Authority (“CMA”) approved the Company’s application for registering its share capital and offering of 338,719 thousand ordinary shares of the Company’s total capital by way of sale of 101,616 thousand existing shares (the “Sale Shares”) by existing shareholders (in proportion to their existing shareholding), and the issuance of 237,103 thousand new shares (the “New Shares”) through a capital increase. The Sale Shares represent 9% and the New Shares represent 21% of the Company’s issued share capital upon completion of the Offering, totalling 30% of the issued share capital (after issuance of the New Shares and the Company’s capital increase).

On 1 Sha’ban 1445H (corresponding to 11 February 2024), the Company status changed from mixed joint company to listed joint stock company.

| Shareholder | Pre offering | | | Post offering | | |
|---|--------------------|-------------|-----------------------|--------------------|-------------|-----------------------|
| | No. of shares '000 | Ownership | Nominal value SAR'000 | No. of shares '000 | Ownership | Nominal value SAR'000 |
| ADES Investments Holding Ltd | 467,658 | 54.50% | 467,658 | 412,277 | 36.50% | 412,277 |
| The Public Investment Fund of the Kingdom of Saudi Arabia | 304,621 | 35.50% | 304,621 | 268,548 | 23.80% | 268,548 |
| Zamil Group Investment Co | 85,808 | 10% | 85,808 | 75,647 | 6.70% | 75,647 |
| Free Float | - | 0% | - | 338,719 | 30% | 338,719 |
| Treasury Shares | - | 0% | - | 33,872 | 3% | 33,872 |
| | 858,087 | 100% | 858,087 | 1,129,063 | 100% | 1,129,063 |

ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three-months period ended 31 March 2024 (Unaudited)

(All amounts in thousands Saudi Arabian Riyal (SAR), unless otherwise stated)

1 BACKGROUND (continued)

Corporate information (continued)

The interim condensed consolidated financial statements were authorised for issue on 4 Dhu Al-Qi'dah 1445H (corresponding to 12 May 2024) by the Board of Directors.

The Group is a leading oil and gas drilling and production services provider in the Middle East and Africa. The Group services primarily include offshore and onshore contract drilling and production services. The Group currently operates in Egypt, Algeria, Kuwait, Tunisia, Qatar, India and the Kingdom of Saudi Arabia. The Group's offshore services include drilling and workover services and Mobile Offshore Production Unit (MOPU) production services, as well as accommodation, catering, and other barge-based support services. The Group's onshore services primarily encompass drilling and work over services. The Group also provides projects services (outsourcing various operating projects for clients, such as maintenance and repair services).

The interim condensed consolidated financial statements of the Group include activities of the following subsidiaries:

| <i>Name</i> | <i>Principal activities</i> | <i>Country of incorporation</i> | <i>31 March 2024 (unaudited)</i> | <i>31 December 2023 (audited)</i> |
|---|---|---------------------------------|--------------------------------------|---------------------------------------|
| Advanced Energy Systems (ADES) (S.A.E) ¹ | Oil & gas drilling and production services | Egypt | 100% | 100% |
| ADES Saudi Limited Company ¹ | Oil and gas drilling and production services | KSA | 100% | 100% |
| Precision Drilling Company ² | Holding company | Cyprus | 100% | 100% |
| Kuwait Advanced Drilling Services | Leasing of rigs | Cayman | 100% | 100% |
| Prime innovations for Trade S.A. E | Trading | Egypt | 100% | 100% |
| ADES International for Drilling | Leasing of rigs | Cayman | 100% | 100% |
| AG training | Training | Egypt | 70% | 70% |
| Advanced Transport Services | Leasing of transportation Equipment | Cayman | 100% | 100% |
| Advanced Drilling Services | Trading | Cayman | 100% | 100% |
| ADES Holding for Drilling Services Ltd ³ | Investment in Oil & Gas Projects | UAE | 100% | 100% |
| ADES International Holding Ltd | Holding Company | UAE | 100% | 100% |
| Emerald Driller Company ⁴ | Production services oil and gas drilling and production services | Cayman | 100% | 100% |
| ADES Drilling Services I Ltd. | Leasing of rigs | Bermuda | 100% | 100% |
| ADES Drilling Services II Ltd. | Leasing of rigs | Bermuda | 100% | 100% |
| ADES Drilling Services III Ltd. | Leasing of rigs | Bermuda | 100% | 100% |
| ADES Advanced Drilling Services Ltd. ⁵ | Leasing of rigs | Liberia | 100% | 100% |
| ADES Drilling Services IV Ltd. | Leasing of rigs | Bermuda | 100% | 100% |
| ADES Drilling Services V Ltd. | Leasing of rigs | Bermuda | 100% | 100% |
| ADES Drilling Services Ltd. ⁶ | Leasing of rigs | Bermuda | 100% | 100% |
| ADES GCC For Drilling Ltd. ⁷ | Oil and gas drilling and production services Operating and Leasing of rigs | Bermuda | 100% | 100% |

1 Advanced Energy Systems (ADES) (S.A.E) has branches in Algeria, India, UAE, and Iraq. ADES Saudi limited Company acquired 8 subsidiaries from Seadrill.

2 Precision Drilling Company holds a 47.5% interest in United Precision Drilling Company W.L.L, a Kuwait entity which handles the operations of the rigs in Kuwait.

3 ADES Holding for Drilling Services Ltd set up a branch in Tunisia in 2021.

4 Emerald Driller Company has a Branch in Qatar which handles operations in the country.

5 ADES Advanced Drilling Services Ltd has a branch in Congo.

6 ADES Drilling Services Ltd. has a branch in Indonesia.

7 ADES GCC For Drilling Ltd has a branch in KSA.

ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three-months period ended 31 March 2024 (Unaudited)

(All amounts in thousands Saudi Arabian Riyal (SAR), unless otherwise stated)

2 MATERIAL ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group have been prepared in accordance with the International Accounting Standard 34 'Interim Financial Reporting' (IAS 34) endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

The Interim Condensed Consolidated Financial Statements have been prepared under the historical cost basis, except for derivative financial instruments carried at fair value which includes interest rate swap contracts designated as hedging instruments.

The Interim Condensed Consolidated Financial statements do not include all the information and disclosures required in the annual financial statement and should be read in conjunction with the Group's Consolidated Financial Statements for the period ended 31 December 2023. The comparative information is taken from the Interim Condensed Consolidated Financial Statements for the three months period ended 31 March 2023 which were prepared for inclusion in the Company's initial public offering application filed with the Capital Market Authority of the Kingdom of Saudi Arabia in order to list the Company's shares on Tadawul, in the Kingdom of Saudi Arabia.

The Interim Condensed Consolidated Financial Statements are presented in thousands Saudi Arabian Riyal ("SAR'000"). Saudi Arabian Riyal ("SAR") is the functional currency of the Company and the presentation currency for the Group.

Going concern

As at 31 March 2024, the current liabilities exceed current assets by SAR 678,335 thousand (31 December 2023: SAR 791,662 thousand) which is mainly on account of current liabilities recognized in relation to the non-current assets acquired/capex incurred against the acquired rigs during the period. Management has prepared projections for a period of twelve months from the date of approval of Interim Condensed Consolidated Financial Statements, which sets out the expected level of net cash flows that the Group is expected to generate, together with the related working capital needs and financial obligations of the Group. On the strength of this forecast as well as the available unutilised loan facilities in relation to trade payables for the capital expenditures and purchases, total order backlog and expected cash inflows from the rig mobilization payments due under the signed customer contracts, Management believes the Group will generate enough cash inflows to meet its obligations as they fall due for a period of not less than 12 months from the date of approval of these Interim Condensed Consolidated Financial Statements.

2.2 NEW STANDARDS AND INTERPRETATIONS

The accounting policies adopted in the preparation of the Interim Condensed Consolidated Financial Statements are consistent with those followed in the preparation of the ADES Holding Company's consolidated financial statements for the period ended 31 December 2023, except for the adoption of new standards and interpretations as of 1 January 2024. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The following new standards and amendments became effective as at 1 January 2024, which did not have an impact on the Interim Condensed Consolidated Financial Statements of the Group:

- Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7.
- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback; and
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current.

ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three-months period ended 31 March 2024 (Unaudited)

(All amounts in thousands Saudi Arabian Riyal (SAR), unless otherwise stated)

3 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer (CEO) that are used to make strategic decisions. As operationally, the Group is only in the oil and gas production and drilling services, the CEO considers the business from a geographic perspective and has identified Seven geographical segments (31 March 2023: six geographical segments). Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment.

| <i>Segment</i> | <i>Egypt SAR'000</i> | <i>Algeria SAR'000</i> | <i>Kingdom of Saudi Arabia SAR'000</i> | <i>Kuwait SAR'000</i> | <i>Tunisia SAR'000</i> | <i>Qatar SAR'000</i> | <i>India SAR'000</i> | <i>Total Segments SAR'000</i> | <i>Corporate SAR'000</i> | <i>Adjustments and Eliminations*** SAR'000</i> | <i>Total SAR'000</i> |
|--|--------------------------|----------------------------|--|---------------------------|----------------------------|--------------------------|--------------------------|---------------------------------------|------------------------------|--|--------------------------|
| For the three months period ended 31 March 2024 | | | | | | | | | | | |
| Revenue | | | | | | | | | | | |
| External customers | 117,479 | 25,706 | 1,105,806 | 152,004 | 4,014 | 87,245 | 39,816 | 1,532,070 | - | - | 1,532,070 |
| Inter-segment *** | 72,932 | - | - | 1,706 | - | - | - | 74,638 | - | (74,638) | - |
| Total Revenue | 190,411 | 25,706 | 1,105,806 | 153,710 | 4,014 | 87,245 | 39,816 | 1,606,708 | - | (74,638) | 1,532,070 |
| Income/(expenses) | | | | | | | | | | | |
| Cost of revenue* | (39,884) | (17,420) | (441,576) | (70,758) | (5,197) | (43,439) | (15,811) | (634,085) | - | - | (634,085) |
| General and administrative Expenses | (6,871) | (3,037) | (65,881) | (9,908) | (495) | (5,085) | (2,880) | (94,157) | (14,398) | - | (108,555) |
| Finance costs (net) | (16,083) | (1,284) | (165,389) | (10,075) | (256) | (2,951) | (2,431) | (198,469) | (984) | - | (199,453) |
| Depreciation and amortization**** | (22,062) | (5,731) | (210,206) | (41,062) | (1,197) | (9,151) | (5,890) | (295,299) | - | - | (295,299) |
| Other expenses (net) ** | (1,473) | (1,004) | (21,093) | (6,077) | (18) | (3,291) | (2,565) | (35,521) | (58,309) | - | (93,830) |
| Segment Profit / (Loss) | 31,106 | (2,770) | 201,661 | 14,124 | (3,149) | 23,328 | 10,239 | 274,539 | (73,691) | - | 200,848 |
| Total Assets as at 31 March 2024 (i) | 3,781,594 | 527,391 | 12,459,511 | 1,990,895 | 18,590 | 1,075,434 | 189,781 | 20,043,196 | 140,177 | - | 20,183,373 |
| Total Liabilities as at 31 March 2024 | 1,418,520 | 114,412 | 11,592,150 | 558,135 | 8,168 | 225,442 | 133,219 | 14,050,046 | 48,372 | - | 14,098,418 |
| Other Segment information | | | | | | | | | | | |
| Capital expenditure as at 31 March 2024 (i) | 7,946 | 47,929 | 533,514 | 71,712 | 404 | 3,086 | 67,167 | 731,758 | - | - | 731,758 |

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3 SEGMENT INFORMATION (continued)

| <i>Segment</i> | <i>Egypt</i> SAR '000 | <i>Algeria</i> SAR '000 | <i>Kingdom of</i> <i>Saudi Arabia</i> SAR '000 | <i>Kuwait</i> SAR '000 | <i>Tunisia</i> SAR '000 | <i>Qatar</i> SAR '000 | <i>Total</i> <i>Segments</i> SAR '000 | <i>Corporate</i> SAR '000 | <i>Adjustments</i> <i>and</i> <i>Eliminations***</i> SAR '000 <i>(Unaudited)</i> | <i>Total</i> SAR '000 |
|---|--------------------------|----------------------------|--|---------------------------|----------------------------|--------------------------|---|------------------------------|--|--------------------------|
| For the three months period ended 31 March 2023 | | | | | | | | | | |
| Revenue | | | | | | | | | | |
| External customers | 144,162 | 8,625 | 625,317 | 85,609 | 8,561 | 82,582 | 954,856 | - | - | 954,856 |
| Inter-segment *** | 77,371 | - | - | 1,688 | - | - | 79,059 | - | (79,059) | - |
| Total Revenue | 221,533 | 8,625 | 625,317 | 87,297 | 8,561 | 82,582 | 1,033,915 | - | (79,059) | 954,856 |
| Income/(expenses) | | | | | | | | | | |
| Cost of revenue* | (63,419) | (6,434) | (263,647) | (42,378) | (6,376) | (42,655) | (424,909) | - | - | (424,909) |
| General and administrative expenses | (8,861) | (2,180) | (55,475) | (9,448) | (765) | (6,208) | (82,937) | (16,633) | - | (99,570) |
| Finance costs (net) | (16,126) | (765) | (118,689) | (8,597) | (603) | (5,277) | (150,057) | (841) | - | (150,898) |
| Depreciation and amortisation**** | (24,171) | (2,572) | (101,046) | (19,128) | (900) | (10,577) | (158,394) | - | - | (158,394) |
| Other expenses (net) ** | (2,223) | (53) | (19,632) | (4,509) | (33) | (2,820) | (29,270) | (2,405) | - | (31,675) |
| Segment Profit / (Loss) | 29,362 | (3,379) | 66,828 | 1,549 | (116) | 15,045 | 109,289 | (19,879) | - | 89,410 |
| Total Assets as at 31 March 2023 (i) | 3,086,855 | 349,536 | 9,573,340 | 1,701,822 | 14,027 | 1,086,960 | 15,812,538 | 149,180 | - | 15,961,718 |
| Total Liabilities as at 31 March 2023 | 2,290,439 | 270,193 | 8,866,446 | 1,113,352 | 8,214 | 951,987 | 13,500,631 | 110,405 | - | 13,611,036 |
| Other Segment information | | | | | | | | | | |
| Capital expenditure as at 31 March 2023 (i) | 75,979 | 9,425 | 808,003 | 67,568 | 72 | 89 | 961,136 | - | - | 961,136 |

* Excluding depreciation and amortisation.

** Other expenses (net) includes end of service employment benefits, other taxes, other expenses, income tax expense and share based payment expense.

*** Inter-segment revenues and other adjustments are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column.

(i) Management presents the assets in the segment which holds such assets, while the capital expenditure is presented in the segment where such assets are utilised.

**** Depreciation and amortisation recorded under cost of revenue.

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4 REVENUES FROM CONTRACTS WITH CUSTOMERS

| | <i>31 March 2024</i> <i>SAR'000</i> <i>(Unaudited)</i> | <i>31 March 2023</i> <i>SAR'000</i> <i>(Unaudited)</i> |
|-------------------|--|--|
| Units operations | 1,479,221 | 893,536 |
| Catering services | 34,412 | 20,530 |
| Projects income* | 1,983 | 18,946 |
| Others | 16,454 | 21,844 |
| | <u>1,532,070</u> | <u>954,856</u> |

Refer Note 3 for segment disclosure. The primary operational revenue stream is drilling services (units operations) and the revenue is recognised over the time of service.

*Projects income, which is recognized over time, represents services relating to outsourcing various operating projects for clients such as, early production facilities, manpower, maintenance, and repair services.

5 COST OF REVENUE

| | <i>31 March 2024</i> <i>SAR'000</i> <i>(Unaudited)</i> | <i>31 March 2023</i> <i>SAR'000</i> <i>(Unaudited)</i> |
|---|--|--|
| Depreciation and amortization (note 13) | 295,299 | 158,394 |
| Staff costs | 285,653 | 180,624 |
| Maintenance costs | 125,677 | 81,168 |
| Catering costs | 49,699 | 30,337 |
| Move costs | 26,719 | 21,081 |
| Crew change costs | 22,277 | 12,387 |
| Rental costs (note 14) | 19,567 | 17,548 |
| Insurance | 14,154 | 9,928 |
| Project direct costs | 1,300 | 12,422 |
| Other costs | 89,039 | 59,414 |
| | <u>929,384</u> | <u>583,303</u> |

6 GENERAL AND ADMINISTRATIVE EXPENSE

| | <i>31 March 2024</i> <i>SAR'000</i> <i>(Unaudited)</i> | <i>31 March 2023</i> <i>SAR'000</i> <i>(Unaudited)</i> |
|---|--|--|
| Staff costs | 72,998 | 61,387 |
| Professional fees | 7,126 | 9,547 |
| Business travel expenses | 5,684 | 5,679 |
| Depreciation and amortisation (note 13) | 4,090 | 3,318 |
| Communication expenses | 3,784 | 2,393 |
| Free Zone expenses | 3,705 | 3,505 |
| Bank services charges | 644 | 1,752 |
| Rental costs (note 14) | 583 | 805 |
| Other expenses | 9,941 | 11,184 |
| | <u>108,555</u> | <u>99,570</u> |

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7 FINANCE COSTS, NET

| | <i>31 March 2024</i> <i>SAR'000</i> <i>(Unaudited)</i> | <i>31 March 2023</i> <i>SAR'000</i> <i>(Unaudited)</i> |
|--|--|--|
| Interest cost: | | |
| Loan interest expenses* | 188,568 | 143,521 |
| Interest rate swap related finance income | (20,733) | (16,880) |
| Interest on lease liabilities (note 14) | 10,868 | 5,138 |
| Amortisation of loan transaction costs | 5,244 | 5,976 |
| Interest on overdraft facilities | 1,245 | 4,221 |
| Unwinding of discounting on a long-term receivable | 88 | 1,248 |
| Other finance cost: | | |
| Guarantees related finance costs | 4,912 | 4,005 |
| Other finance cost, net | 9,261 | 3,669 |
| | <u>199,453</u> | <u>150,898</u> |

* During the three month period ended 31 March 2024, the gross interest is SAR 192,251 thousand (31 March 2023: 191,029 thousand) and the Group capitalized borrowing costs of SAR 3,683 thousand (31 March 2023: 47,508 thousand) that is related to the capital refurbishment projects of the rigs that require substantial time to prepare such rigs for their intended use.

8 INCOME TAX AND ZAKAT

| | <i>31 March 2024</i> <i>SAR'000</i> <i>(Unaudited)</i> | <i>31 March 2023</i> <i>SAR'000</i> <i>(Unaudited)</i> |
|--|--|--|
| Interim Condensed Consolidated statement of comprehensive income: | | |
| Current income tax expense | 33,400 | 9,373 |
| Deferred tax (credit) / charge | (2,891) | 5,323 |
| | <u>30,509</u> | <u>14,696</u> |

Interim Condensed Consolidated Statement of Financial position:

| | <i>31 March 2024</i> <i>SAR'000</i> <i>(Unaudited)</i> | <i>31 December 2023</i> <i>SAR'000</i> <i>(Audited)</i> |
|-----------------------------|--|---|
| Current liabilities: | | |
| Beginning balance | 30,218 | 3,453 |
| Charge for the period | 33,400 | 53,649 |
| Paid during the period | (3,008) | (26,884) |
| Ending balance | <u>60,610</u> | <u>30,218</u> |

ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

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(All amounts in thousands Saudi Arabian Riyal (SAR), unless otherwise stated)

9 BANK BALANCES AND CASH

| | <i>31 March 2024</i> <i>SAR'000</i> <i>(Unaudited)</i> | <i>31 December 2023</i> <i>SAR'000</i> <i>(Audited)</i> |
|---|--|---|
| Bank balances* | 474,402 | 431,828 |
| Cash on hand | 205 | 454 |
| | <hr/> | <hr/> |
| Bank balances and cash in the Interim Condensed consolidated statement of financial position and cash and cash equivalent for the purpose of Interim Condensed consolidated statement of cash flows | 474,607 | 432,282 |
| | <hr/> <hr/> | <hr/> <hr/> |

Bank balances and cash comprise of balances in the following currencies:

| | <i>31 March 2024</i> <i>SAR'000</i> <i>(Unaudited)</i> | <i>31 December 2023</i> <i>SAR'000</i> <i>(Audited)</i> |
|-----------------------------------|--|---|
| United States Dollar (USD) | 365,584 | 153,136 |
| Saudi Riyal (SAR)* | 69,716 | 176,732 |
| Egyptian Pound (EGP) | 14,081 | 46,289 |
| India Rupee (INR) | 10,915 | 7,478 |
| Kuwaiti Dinar (KWD) | 9,373 | 47,594 |
| Indonesian Rupiahs (IDR) | 2,904 | - |
| Algerian Dinar (DZD) | 1,788 | 567 |
| Qatari Riyal (QAR) | 142 | 191 |
| Euro (EUR) | 39 | 40 |
| United Arab Emirates Dirham (AED) | 38 | 65 |
| Tunisian Dinar (TND) | 27 | 190 |
| | <hr/> | <hr/> |
| | 474,607 | 432,282 |
| | <hr/> <hr/> | <hr/> <hr/> |

*As at 31 December 2023 bank balances include SAR 28,153 thousand held with the bank on behalf of the Group as per the instructions of the Group from the proceeds of the share issuance as part of the IPO. This balance was readily available to the Group and could be transferred and used by the Group with minimal advance notice period, and therefore it is reported as cash and cash equivalents. No such balances as at 31 March 2024.

10 INVENTORIES

| | <i>31 March 2024</i> <i>SAR'000</i> <i>(Unaudited)</i> | <i>31 December 2023</i> <i>SAR'000</i> <i>(Audited)</i> |
|---------------------|--|---|
| Offshore rigs | 270,099 | 226,261 |
| Warehouse and yards | 71,097 | 65,460 |
| Onshore rigs | 43,179 | 40,171 |
| | <hr/> | <hr/> |
| | 384,375 | 331,892 |
| | <hr/> <hr/> | <hr/> <hr/> |

As at 31 March 2024, the inventories are stated net of provision for impairment of inventory of SAR 65,797 thousand (31 December 2023: SAR 65,797 thousand).

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11 TRADE RECEIVABLES AND CONTRACT ASSETS

Trade receivables

| | <i>31 March 2024</i> <i>SAR'000</i> <i>(Unaudited)</i> | <i>31 December 2023</i> <i>SAR'000</i> <i>(Audited)</i> |
|---|--|---|
| Trade receivables | 1,132,422 | 994,925 |
| Provision for impairment of trade receivables | (470,206) | (470,206) |
| | 662,216 | 524,719 |
| Invoice retention* | 199,912 | 320,012 |
| | 862,128 | 844,731 |

Trade receivables are non-interest bearing and are generally on 30 to 90 days terms, except for one customer balance which is fully impaired, after which trade receivables are considered to be past due. Unimpaired trade receivables are expected to be fully recoverable on the past experience. It is not the practice of the Group to obtain collateral over receivables and the vast majority are, therefore, unsecured.

*This represents the amounts retained by the customers on the sales invoices as per the terms of the customer contracts.

The aging analysis of un-impaired trade receivables is as follows:

| | <i>Neither past due nor impaired</i> <i>SAR'000</i> | <i>Past due but not impaired</i> | | | | <i>Total</i> <i>SAR'000</i> |
|----------------------------|--|--|---|---|--|--------------------------------|
| | | <i><30 days</i> <i>SAR'000</i> | <i>30 - 60 days</i> <i>SAR'000</i> | <i>61 - 90 days</i> <i>SAR'000</i> | <i>>90 days</i> <i>SAR'000</i> | |
| As at 31 March 2024 | 463,055 | 78,328 | 49,962 | 16,522 | 54,349 | 662,216 |
| As at 31 December 2023 | 354,984 | 62,770 | 43,562 | 10,287 | 53,116 | 524,719 |

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11 TRADE RECEIVABLES AND CONTRACT ASSETS (continued)

The movement in the provision for impairment of trade receivables and contract assets is as follows:

| | <i>31 March 2024</i> <i>SAR'000</i> <i>(Unaudited)</i> | <i>31 December 2023</i> <i>SAR'000</i> <i>(Audited)</i> |
|-------------------|--|---|
| Beginning balance | 470,206 | 470,206 |
| Ending balance | <u>470,206</u> | <u>470,206</u> |

CONTRACT ASSETS

As at 31 March 2024, the Group has contract assets of SAR 503,050 thousand (31 December 2023: SAR 389,489 thousand) there was no impairment of contract assets and hence no ECL has been recorded.

12 PREPAYMENTS AND OTHER RECEIVABLES

| | <i>31 March 2024</i> <i>SAR'000</i> <i>(Unaudited)</i> | <i>31 December 2023</i> <i>SAR'000</i> <i>(Audited)</i> |
|---|--|---|
| Advances to contractors and suppliers | 295,481 | 320,966 |
| Prepaid mobilization revenue | 62,097 | 58,142 |
| Insurance with customers | 25,901 | 25,902 |
| Margin deposits against letter of guarantees | 17,286 | 16,200 |
| Dividends receivable | 4,593 | 4,593 |
| Provision for impairment in dividends receivables | (4,593) | (4,593) |
| Other receivables* | 195,581 | 159,298 |
| Provision for other receivables | (6,827) | (6,827) |
| Ending balance | <u>589,519</u> | <u>573,681</u> |
| Current | 519,602 | 352,315 |
| Non-current | 69,917 | 221,366 |
| | <u>589,519</u> | <u>573,681</u> |

* Includes amounts receivable from Vantage Services – a related party amounting to SAR 15,123 thousand (31 December 2023: SAR 13,992 thousand).

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13 PROPERTY AND EQUIPMENT

| <i>31 March 2024</i> | <i>Rigs SAR'000</i> | <i>Furniture and fixtures SAR'000</i> | <i>Drilling pipes SAR'000</i> | <i>Tools SAR'000</i> | <i>Assets under construction SAR'000</i> | <i>IT equipment SAR'000</i> | <i>Motor vehicles SAR'000</i> | <i>Leasehold improvement SAR'000</i> | <i>Building SAR'000</i> | <i>Leasehold land SAR'000</i> | <i>Total SAR'000</i> |
|-------------------------------------|-------------------------|---|---------------------------------------|--------------------------|--|-------------------------------------|---------------------------------------|--|-----------------------------|---------------------------------------|--------------------------|
| Cost: | | | | | | | | | | | |
| As at 1 January 2024 | 13,979,466 | 17,156 | 148,545 | 502,983 | 2,944,280 | 11,185 | 2,235 | 636,229 | 20,078 | 58,478 | 18,320,635 |
| Additions | 457,992 | 1,354 | 3,432 | 11,457 | 228,498 | 580 | 298 | 28,147 | - | - | 731,758 |
| Transfers | 2,671,612 | - | - | 11,290 | (2,682,902) | - | - | - | - | - | - |
| As at 31 March 2024 | 17,109,070 | 18,510 | 151,977 | 525,730 | 489,876 | 11,765 | 2,533 | 664,376 | 20,078 | 58,478 | 19,052,393 |
| Accumulated depreciation: | | | | | | | | | | | |
| As at 1 January 2024 | (1,826,169) | (3,421) | (85,797) | (173,546) | (2,870) | (6,276) | (1,669) | (71,103) | - | - | (2,170,851) |
| Depreciation | (201,435) | (570) | (5,770) | (12,683) | - | (458) | (65) | (32,050) | (306) | - | (253,337) |
| As at 31 March 2024 | (2,027,604) | (3,991) | (91,567) | (186,229) | (2,870) | (6,734) | (1,734) | (103,153) | (306) | - | (2,424,188) |
| Net book value: At 31 March 2024 | 15,081,466 | 14,519 | 60,410 | 339,501 | 487,006 | 5,031 | 799 | 561,223 | 19,772 | 58,478 | 16,628,205 |

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13 PROPERTY AND EQUIPMENT (continued)

| <i>31 March 2023</i> | <i>Rigs SAR'000</i> | <i>Furniture and fixtures SAR'000</i> | <i>Drilling pipes SAR'000</i> | <i>Tools SAR'000</i> | <i>Assets under construction SAR'000</i> | <i>IT equipment SAR'000</i> | <i>Motor vehicles SAR'000</i> | <i>Leasehold improvement SAR'000</i> | <i>Leasehold land SAR'000</i> | <i>Total SAR'000 (Unaudited)</i> |
|---------------------------------|-------------------------|---|---------------------------------------|--------------------------|--|-------------------------------------|---------------------------------------|--|---------------------------------------|--|
| Cost: | | | | | | | | | | |
| As of 1 January 2023 (Restated) | 9,112,777 | 6,524 | 115,734 | 405,720 | 3,858,904 | 9,754 | 2,235 | 2,600 | 58,478 | 13,572,726 |
| Additions | 37,852 | - | 7,479 | 11,328 | 902,516 | 164 | - | 1,797 | - | 961,136 |
| Transfers | 312,744 | - | - | 403 | (524,619) | - | - | 211,472 | - | - |
| As at 31 March 2023 | 9,463,373 | 6,524 | 123,213 | 417,451 | 4,236,801 | 9,918 | 2,235 | 215,869 | 58,478 | 14,533,862 |
| Accumulated depreciation: | | | | | | | | | | |
| As of 1 January 2023 | (1,296,592) | (2,958) | (65,401) | (131,030) | (2,870) | (4,754) | (1,410) | (1,621) | - | (1,506,636) |
| Depreciation | (108,877) | (158) | (4,114) | (9,634) | - | (314) | (65) | (9,908) | - | (133,070) |
| As at 31 March 2023 | (1,405,469) | (3,116) | (69,515) | (140,664) | (2,870) | (5,068) | (1,475) | (11,529) | - | (1,639,706) |
| Net book value: | | | | | | | | | | |
| As at 31 March 2023 | 8,057,904 | 3,408 | 53,698 | 276,787 | 4,233,931 | 4,850 | 760 | 204,340 | 58,478 | 12,894,156 |

Most of the rigs are pledged to the lenders (banks) against loans and borrowings (note 17).

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13 PROPERTY AND EQUIPMENT (continued)

Allocation of depreciation charge:

Depreciation and amortization charge is allocated as follows:

| | <i>31 March 2024</i> <i>SAR'000</i> <i>(Unaudited)</i> | <i>31 March 2023</i> <i>SAR'000</i> <i>(Unaudited)</i> |
|--|--|--|
| Cost of revenue (note 5) | 295,299 | 158,394 |
| General and administrative expenses (note 6) | 4,090 | 3,318 |
| Total depreciation and amortization charge* | <u>299,389</u> | <u>161,712</u> |

*Total depreciation and amortization charge for the period includes depreciation of property and equipment of SAR 253,337 thousand (31 March 2023: SAR 133,070 thousand), amortization of intangible assets and depreciation of right of use assets of SAR 176 thousand (31 March 2023: SAR 49 thousand) and SAR 45,876 thousand (31 March 2023: SAR 28,593 thousand) respectively.

Assets under construction and transfers:

Assets under construction represents the amounts that are incurred for the purpose of upgrading and refurbishing property and equipment until it is ready to be used in the operation and amount paid for new rigs purchased during the period that are not ready for use. Assets under construction will mainly be transferred to 'Rigs', 'Tools' of the property and equipment after completion. During the three months period ended 31 March 2024, the Group completed capital projects for the amount of SAR 2,682,902 thousand (31 December 2023: SAR 4,831,049 thousand) and transferred to the relevant asset categories.

During the three months period ended 31 March 2024, the Group capitalized borrowing costs of SAR 3,683 thousand (31 March 2023: SAR 47,508 thousand) that are related to the capital refurbishment projects of the rigs that require substantial time to prepare such rigs for their intended use. The rate used to determine the amount of borrowing costs eligible for capitalisation was 7.49 % (31 March 2023: 6.96 %; 31 December 2023: 7.56%) which is the effective interest rate of the related borrowings.

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14 LEASES

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

| | <i>Rigs</i> SAR '000 | <i>Yards and warehouse</i> SAR '000 | <i>Office Premises</i> SAR '000 | <i>Motor vehicles</i> SAR '000 | <i>Other Equipment</i> SAR '000 | <i>Total</i> SAR '000 |
|------------------------------------|-------------------------|--|--|---------------------------------------|--|--------------------------|
| Cost: | | | | | | |
| As at 1 January 2024 | 610,655 | 20,084 | 23,619 | 30,277 | 113,143 | 797,778 |
| Additions | 8,174 | - | - | 2,475 | 3,006 | 13,655 |
| Terminated | - | - | - | - | (1,697) | (1,697) |
| Other adjustments | - | - | - | (341) | - | (341) |
| As at 31 March 2024 | 618,829 | 20,084 | 23,619 | 32,411 | 114,452 | 809,395 |
| As at 1 January 2024 | (85,750) | (14,104) | (6,560) | (13,577) | (34,170) | (154,161) |
| Depreciation (note 13) | (33,179) | (1,268) | (1,260) | (1,567) | (8,602) | (45,876) |
| Terminated | - | - | - | - | 1,226 | 1,226 |
| Other adjustments | - | 118 | - | - | - | 118 |
| As at 31 March 2024 | (118,929) | (15,254) | (7,820) | (15,144) | (41,546) | (198,693) |
| Net Book Value At 31 March 2024 | 499,900 | 4,830 | 15,799 | 17,267 | 72,906 | 610,702 |

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14 LEASES (continued)

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period (continued):

| | <i>Rigs</i> <i>SAR '000</i> | <i>Yards and</i> <i>warehouse</i> <i>SAR '000</i> | <i>Office</i> <i>Premises</i> <i>SAR '000</i> | <i>Motor</i> <i>vehicles</i> <i>SAR '000</i> | <i>Other</i> <i>Equipment</i> <i>SAR '000</i> | <i>Furniture</i> <i>and Fixture</i> <i>SAR '000</i> | <i>Building</i> <i>SAR '000</i> | <i>Total</i> <i>SAR '000</i> <i>(Unaudited)</i> |
|---------------------------|--------------------------------|---|---|--|---|---|------------------------------------|---|
| Cost: | | | | | | | | |
| As of 1 January 2023 | 331,766 | 19,302 | 6,564 | 9,123 | 44,558 | 9,514 | 28,318 | 449,145 |
| Additions | - | 148 | 13,981 | 2,386 | 13,677 | - | - | 30,192 |
| As at 31 March 2023 | 331,766 | 19,450 | 20,545 | 11,509 | 58,235 | 9,514 | 28,318 | 479,337 |
| Accumulated depreciation: | | | | | | | | |
| As of 1 January 2023 | (15,981) | (9,863) | (4,380) | (8,510) | (13,577) | (2,141) | (3,659) | (58,111) |
| Depreciation | (21,734) | (1,112) | (801) | (782) | (3,572) | (238) | (354) | (28,593) |
| As at 31 March 2023 | (37,715) | (10,975) | (5,181) | (9,292) | (17,149) | (2,379) | (4,013) | (86,704) |
| Net Book Value | | | | | | | | |
| As at 31 March 2023 | 294,051 | 8,475 | 15,364 | 2,217 | 41,086 | 7,135 | 24,305 | 392,633 |

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14 LEASES (continued)

Set out below are the carrying amounts of lease liabilities and the movements during the period:

| | <i>31 March 2024</i> <i>SAR'000</i> <i>(Unaudited)</i> | <i>31 December 2023</i> <i>SAR'000</i> <i>(Audited)</i> |
|--------------------------------------|--|---|
| Opening balance | 643,826 | 376,688 |
| Additions | 13,655 | 419,110 |
| Lease modification-Terminations | (471) | (14,936) |
| Lease modification-Other adjustments | (356) | (780) |
| Accretion of interest | 10,868 | 28,147 |
| Payments | (50,478) | (164,403) |
| Ending balance | <u>617,044</u> | <u>643,826</u> |
| Current (note 15) | 160,289 | 156,468 |
| Non current | 456,755 | 487,358 |
| | <u>617,044</u> | <u>643,826</u> |

The following are the amounts recognised in the interim condensed consolidated statement of comprehensive income:

| | <i>31 March 2024</i> <i>SAR'000</i> <i>(Unaudited)</i> | <i>31 March 2023</i> <i>SAR'000</i> <i>(Unaudited)</i> |
|--|--|--|
| Amortization expense of right-of-use assets | 45,876 | 28,593 |
| Interest expense on lease liabilities (note 7) | 10,868 | 5,138 |
| Expense relating to short-term leases (Included in Cost of revenue as rental costs) (note 5) | 19,567 | 17,548 |
| Expense relating to short-term lease (Included in General and administrative expenses as rental costs) (note 6) | 583 | 805 |
| Total amount recognized in the interim condensed consolidated statement of comprehensive income | <u>76,894</u> | <u>52,084</u> |

15 TRADE AND OTHER PAYABLES

| | <i>31 March 2024</i> <i>SAR'000</i> <i>(Unaudited)</i> | <i>31 December 2023</i> <i>SAR'000</i> <i>(Audited)</i> |
|---------------------------|--|---|
| Trade payables | 1,194,884 | 1,091,998 |
| Accrued expenses* | 328,897 | 268,028 |
| Lease liability (note 14) | 160,289 | 156,468 |
| Accrued interests | 134,126 | 44,823 |
| Other payables | 62,169 | 77,803 |
| | <u>1,880,365</u> | <u>1,639,120</u> |

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16 DEFERRED REVENUE

| | <i>31 March 2024</i> <i>SAR'000</i> <i>(Unaudited)</i> | <i>31 December 2023</i> <i>SAR'000</i> <i>(Audited)</i> |
|--------------------|--|---|
| Opening balance | 867,661 | 145,720 |
| Additions | 483,030 | 943,972 |
| Revenue recognised | (99,416) | (222,031) |
| Ending balance | <u>1,251,275</u> | <u>867,661</u> |
| Current | 373,091 | 287,749 |
| Non-Current | 878,184 | 579,912 |
| | <u>1,251,275</u> | <u>867,661</u> |

Deferred revenue mainly represents the amounts collected from the customers for mobilization of the rigs which are recognized over time.

17 INTEREST BEARING LOANS AND BORROWINGS

| | <i>31 March 2024</i> <i>SAR'000</i> <i>(Unaudited)</i> | <i>31 December 2023</i> <i>SAR'000</i> <i>(Audited)</i> |
|-------------------------------------|--|---|
| Opening balance | 10,349,698 | 10,547,486 |
| Borrowings drawn during the period | 1,965 | 3,351,737 |
| Borrowings repaid during the period | (187,077) | (3,554,625) |
| Unamortised arrangement fees | 4,800 | 5,100 |
| Ending balance | <u>10,169,386</u> | <u>10,349,698</u> |
| Current: | 1,105,135 | 1,180,103 |
| Non-current: | 9,064,251 | 9,169,595 |
| | <u>10,169,386</u> | <u>10,349,698</u> |

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(All amounts in thousands Saudi Arabian Riyal (SAR), unless otherwise stated)

17 INTEREST BEARING LOANS AND BORROWINGS (continued)

| <i>Type</i> | <i>Original tenor</i> | <i>31 March 2024 SAR'000 (Unaudited)</i> | <i>31 December 2023 SAR'000 (Audited)</i> |
|---|-----------------------|--|---|
| Current loans and borrowings | | | |
| Loan 1 Syndication Facility A | | | |
| Facility A | 8 Years | 303,784 | 303,607 |
| Loan 1 Syndication Facility C | | | |
| Facility C | 8 Years | 180,000 | 180,000 |
| Loan 1 Syndication Facility B | | | |
| Facility B | 7 Years | - | 75,000 |
| Loan 2 BSF | | | |
| BSF \$380M | 7 Years | 152,440 | 152,409 |
| Loan 3 SNB | | | |
| SNB \$400M | 8 Years | 133,839 | 133,817 |
| Loan 4 AL Rajhi | | | |
| AL Rajhi \$250M | 8 Years | 142,744 | 142,731 |
| Loan 5 Al Inmaa Ijara | | | |
| Al Inmaa Ijara Loan SAR 2.5 B | 8 Years | 141,126 | 141,026 |
| Loan 6 Al Mashreq | | | |
| Mashreq Loan KD 2.7 M | 5 Years | 6,570 | 6,572 |
| Credit Facility 2 – ABK | | 37,082 | 37,031 |
| Credit Facility 4 – ENBD | | 2,097 | 2,195 |
| Credit Facility 5 – ADCB | | - | 10 |
| Credit Facility 6 – SAIB | | - | 252 |
| Credit Facility 8 – EGB | | 5,453 | 5,453 |
| Total current loans and borrowings | | 1,105,135 | 1,180,103 |
| | | | |
| <i>Type</i> | <i>Original tenor</i> | <i>31 March 2024 SAR'000 (Unaudited)</i> | <i>31 December 2023 SAR'000 (Audited)</i> |
| Non-current loans and borrowings | | | |
| Loan 1 Syndication Facility A | | | |
| Facility A | 8 Years | 3,028,940 | 3,026,248 |
| Loan 1 Syndication Facility C | | | |
| Facility C | 8 Years | 1,660,000 | 1,660,000 |
| Loan 2 BSF | | | |
| BSF \$380M | 7 Years | 1,075,606 | 1,113,732 |
| Loan 3 SNB | | | |
| SNB \$400M | 8 Years | 1,192,038 | 1,225,510 |
| Loan 4 AL Rajhi | | | |
| AL Rajhi \$250M | 8 Years | 1,242,415 | 1,278,107 |
| Loan 5 Al Inmaa Ijara | | | |
| Al Inmaa Ijara Loan SAR 2.5 B | 8 Years | 855,396 | 854,497 |
| Loan 6 Al Mashreq | | | |
| Mashreq Loan KD 2.7 M | 5 Years | 9,856 | 11,501 |
| Total non-current loans and borrowings | | 9,064,251 | 9,169,595 |
| Total loans and borrowings | | 10,169,386 | 10,349,698 |

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17 INTEREST BEARING LOANS AND BORROWINGS (continued)

Loans and borrowings carries coupon interest, based on fixed rates with average margin range of 0.9%-2% p.a (31 December 2023: 0.9%-2% p.a.)

The Group has secured loans and borrowings as follows:

- Loan 1 Syndication Facility A, B and C

In November 2021, ADES Arabia Holding Company (an entity under common control, refer to note 1) and ADES Saudi Limited Company (a subsidiary of the Group) jointly signed a syndication term loan facility agreement with a facility total amount of USD 310M (SAR 1,162.5 M) and USD 1,290M (SAR 4,837.5 M) divided over eight banks which include Goldman Sachs Bank USA, Riyadh Bank, Arab Petroleum Investments Corporation (APICORP), Banque Saudi Fransi, Gulf International Bank B.S.C., The Saudi National Bank, Al Rajhi Banking and Investment Corporation and Arab National Bank. During 2022, additional lender Saudi Awwal Bank (formerly known as The Saudi British Bank) ('SAB') acceded to the agreement as the ninth lender.

According to the Amendment and Novation Deed dated 29 December 2022 signed by the Company, ADES Arabia Holding, and the Lenders of the Loan 1 Syndication Facility A and Facility C, the loans payable balances under the Loan 1 Syndication Facility A and facility C were novated to the Company effective 29 December 2022.

Facility A and Facility C are under the same syndication which are secured against pledge over certain rigs, assignment of proceeds over certain clients' contracts, pledge over certain collection accounts, and assignments of a certain insurance claim. The syndicated facility includes facility to finance CAPEX which is Facility C amounting to USD 400M (equals to SAR 1,500M) that increased to USD 533M (equals to SAR 1,998.75M) after SAB accession during 2022.

Facility A is repayable in half-yearly instalments effective from June 2022 to December 2029. Facility C is repayable in half-yearly instalments effective from June 2023 to December 2029. As at 31 March 2024, the principal amount outstanding is USD 903M (equals to SAR 3.86M) (31 December 2023: 903M (equals to SAR 3.86M)) and USD 490M (equals to SAR 1,840M) (31 December 2023: 490M (equals to SAR 1,840M)) of Facility A and C, respectively. During the period ended 31 March 2024, the Group has repaid Nil (31 December 2023: SAR 275M) and Nil (31 December 2023: SAR 160M) of Facility A and C, respectively.

Facility B is a revolving credit facility ("RCF") with the original total amount of USD 150 million (equals to SAR 562.5 million). During the year ended 31 December 2023, one of the existing lenders under the syndicated facility increased their participation with additional USD 150M (equals to SAR 562.5M) under Facility B which has increased Facility B total commitments to USD 300M (equals to SAR 1,125M). RCF facility is valid till 31 December 2028 with a requirement to clean down the balance once in each calendar year. As at 31 March 2024, the principal amount outstanding is Nil (31 December 2023: USD 20M (equals to SAR 75M)).

- Loan 2 BSF

In March 2022, ADES Saudi Limited Company signed a loan agreement with total amount of USD 380M (equals to SAR 1,425M) with Banque Saudi Francis. The loan is repayable in 27 Quarterly instalments effective from March 2023 to September 2029. As at 31 March 2024, the principal amount outstanding is USD 328 M (equals to SAR 1,232M) (31 December 2023: USD 339 M (equals to SAR 1,271M)) and the proceeds were used for acquisition and refurbishment of rigs and acquisition of equipment. The Loan 2 BSF is secured against pledge over certain rigs, assignment of proceeds over the rigs related to customer contracts, pledge over related collection accounts, and assignments of related insurance claims. The facility includes additional limit to be utilized for the issuance of letter of guarantees amounting to SAR 187.5M, additional overdraft limit with SAR 30M and additional multipurpose limit to cover working capital needs including issuance for letter of guarantees and short- term loans with total amount of Nil (31 December 2023: SAR 150M). During the period ended 31 March 2024, the Group has repaid SAR 38.4 M (31 December 2023: SAR 153M).

- Loan 3 SNB

In April 2022, ADES Saudi Limited Company signed a loan agreement with total amount of USD 400 M (equals to SAR 1,500M) with the Saudi National Bank. The loan is repayable in 29 Quarterly instalments effective from April 2023 to April 2030. As of 31 March 2024, the principal amount outstanding is USD 355M (equals to SAR 1,331M) (31 December 2023: USD 363M (equals to SAR 1,364M)) and the proceeds were used for the acquisition and refurbishment of the rigs and equipment. Loan 3 SNB is secured against pledge over certain rigs, assignment of proceeds over related clients' contracts, pledge over certain collection accounts, and assignments of related insurance claims. During the period ended 31 March 2024, the Group has repaid SAR 33.7M (31 December 2023:SAR 135M).

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17 INTEREST BEARING LOANS AND BORROWINGS (continued)

The Group has secured loans and borrowings as follows: (continued)

- Loan 4 AL Rajhi

In June 2022, ADES Saudi Limited Company signed a loan agreement with total amount of SAR 937.5M (USD 250 M) with Al Rajhi Banking & Investment Corporation. The loan is repayable in 29 quarterly instalments effective from July 2023 to July 2030. During 2022, ADES Saudi Limited Company and the bank agreed to increase the total loan amount to reach SAR 1,500M (USD 400M). As at 31 March 2024, the principal amount outstanding is USD 371M (equals to SAR 1,392M) (31 December 2023: USD 380M (equals to SAR 1,428M)) and used the proceeds for the acquisition and refurbishment of rigs and equipment. The Loan 4 AL Rajhi is secured against pledge over certain rigs, assignment of proceeds over related clients' contracts, pledge over certain collection accounts, and assignments of certain insurance claims. During the period ended 31 March 2024, SAR 36M (31 December 2023: SAR 72M) has been repaid on the outstanding balance.

- Loan 5 Al Inmaa Facility

In July 2022, ADES Saudi Limited Company jointly signed a loan agreement in the amount of SAR 2,693M (USD 718M) with Al Inmaa Bank. The loan is repayable in 15 Semi-annual instalments effective from September 2023 to September 2030. During 2022, the Company utilized SAR 2,500M (equals to USD 666.7M)). As at 31 March 2024, the principal amount outstanding is USD 270M (equals to SAR 1,014M) (31 December 2023: USD 270M (equals to SAR 1,014M)) and used the proceeds for the acquisition and refurbishment of rigs and equipment. The Loan Al Inmaa Facility is secured against pledge over certain rigs, assignment of proceeds over clients' contracts, pledge over collection accounts, and assignments of insurance claims. The Al Inmaa facility includes a separate line amounting to SAR 150M for the purpose of covering short-term working capital needs, During the period ended 31 March 2024, the Group has repaid Nil (31 December 2023: SAR 1,262M) related to the long-term loan, and Nil (31 December 2023: SAR 150M million (equal to USD 40 million)) related to working capital line.

- Loan 6 Mashreq Loan

During 2021, the Group obtained a loan facility of KWD 2.7 million (equals to SAR 33M) from Mashreq Bank PSC to facilitate the purchase of usufruct land and construction of the administrative building. This loan is repayable in 18 quarterly equal instalments effective from June 2022. The loan is denominated in Kuwaiti Dinar. The facility is secured by a first-degree mortgage over the usufruct land and building under capital work in progress. As at 31 March 2024, the principal amount outstanding is SAR 16.4M (USD 4.380M) (31 December 2023: SAR 18M (USD 4.819M)). During the period ended 31 March 2024, the Group has repaid SAR 1.648M (31 December 2023 :SAR 6.6M).

Bank credit facilities

Credit Facility 2 is granted by Al Ahli Bank of Kuwait (ABK) with an overdraft facility limit amounting to USD 12M equivalent to SAR 45M which is secured by promissory note & is renewable.

Credit Facility 3 is granted by the Export Development Bank of Egypt (EBE) with a non-secured facility limit amounting to USD 12M equivalent to SAR 45M available for overdrafts &/or Letters of Guarantee which is secured by promissory note & is renewable.

Credit Facility 4 is granted by Emirates National Bank of Dubai S.A.E with a total amount of USD 20M equivalent to SAR 75M available for overdrafts &/or Letters of Guarantee which is secured by promissory note & is renewable.

Credit Facility 5 is granted by Abu Dhabi Commercial Bank – Egypt (ADCB) with a total amount of USD 4M equivalent to SAR 15M available for overdrafts &/or Letters of Guarantee which is secured by promissory note & is renewable.

Credit Facility 6 is granted by Société Arabe Internationale De Banque – Egypt (SAIB) with a total amount of USD 20M as equivalent to SAR 75M for overdrafts which is secured by promissory note & is renewable.

Credit Facility 7 is granted by Suez Canal Bank (SCB) with an overdraft facility limit amounting to USD 18M equivalent to SAR 67.5M available for overdrafts &/or Letters of Guarantee available for overdraft. Which is secured by promissory note & is renewable.

Credit Facility 8 is granted by Egyptian Gulf Bank (EGB) with an overdraft facility limit amounting to EGP 45M equivalent to SAR 5.5M available for overdrafts and/or Letters of Guarantee, which is renewable and secured by promissory note.

The bank overdrafts do not form part of the cash and cash equivalents as these are not integral part of the Group's liquidity management.

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18 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

| | <i>31 March 2024</i> <i>SAR'000</i> <i>(Unaudited)</i> | <i>31 December 2023</i> <i>SAR'000</i> <i>(Audited)</i> |
|-------------------|--|---|
| Authorised shares | 1,129,063 | 1,129,063 |
| Issued shares | 1,129,063 | 1,129,063 |
| Shares par value | 1 | 1 |
| Issued capital | 1,129,063 | 1,129,063 |
| Treasury shares | (33,872) | (33,872) |
| Paid up capital | 1,095,191 | 1,095,191 |
| Share premium* | 2,890,367 | 2,890,367 |

* Share premium represents the excess amounts received over the par value of the shares issued.

The shareholding structure of the Company as at 31 March 2024 and 31 December 2023 is as follows:

| <i>Shareholders</i> | <i>Shareholding %</i> | <i>No. of shares</i> | <i>Value SAR'000</i> |
|-----------------------------|-----------------------|----------------------|----------------------|
| ADES Investment Holding LTD | 36.5 | 412,277 | 412,277 |
| Public Investment Fund | 23.8 | 268,548 | 268,548 |
| Zamil Investments | 6.7 | 75,647 | 75,647 |
| Free Float | 30 | 338,719 | 338,719 |
| Treasury Shares | 3 | 33,872 | 33,872 |
| | 100 | 1,129,063 | 1,129,063 |

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19 EARNINGS PER SHARE

Basic earnings per share (EPS) amounts are calculated by dividing the profit for the period attributable to the equity holders of the Parent by the weighted average number of ordinary shares outstanding during the period after adjusting the number of ordinary shares by the treasury shares.

Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. As at 31 March 2024, there were no potential dilutive shares and hence the basic and diluted EPS is same.

The information necessary to calculate basic and diluted earnings per share is as follows:

| | <i>31 March 2024</i> <i>SAR'000</i> <i>(Unaudited)</i> | <i>31 March 2023</i> <i>SAR'000</i> <i>(Unaudited)</i> |
|---|--|--|
| Profit for the period attributable to the ordinary equity holders of the Parent for basic and diluted EPS | <u>197,361</u> | <u>87,562</u> |
| Weighted average number of ordinary shares – basic and diluted | <u>1,095,191</u> | <u>162,164</u> |
| Earnings per share – basic and diluted (in SAR per share) | <u><u>0.18</u></u> | <u><u>0.54</u></u> |

20 EQUITY SETTLED SHARE-BASED PAYMENTS

During the period ended 31 March 2024, the Directors resolved to grant a total number of 2,011 thousand ordinary shares with par value of SAR 1.00 each to certain employees of the Group from the treasury shares held by the Company. The effective date of the award is 10 March 2024. According to the LTIP rules the shares vested as granted and are not subject to performance or any other conditions. These shares are currently held by ADES Holding, and the awards will be satisfied by transferring the treasury shares of the Company.

For the period ended 31 March 2024, the Group has recognized Expense arising from equity-settled share-based payment transactions with SAR 40,663 thousand (31 March 2023: SAR Nil) in the interim condensed consolidated statement of comprehensive income, with a corresponding increase in equity. The amount of expense recognized represents the fair value of the shares at the award date.

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21 RELATED PARTIES TRANSACTIONS AND BALANCES

The terms and conditions of the transactions entered into with the related parties are approved by the Group's management.

- (a) Following are the significant related party transactions recorded in the interim condensed consolidated statement of comprehensive income:

| | <i>31 March 2024</i> <i>SAR'000</i> <i>(Unaudited)</i> | <i>31 March 2023</i> <i>SAR'000</i> <i>(Unaudited)</i> |
|---|--|--|
| Revenue from other related parties | 1,105,806 | 625,318 |
| Revenue from the joint venture | 1,075 | 3,272 |
| Finance cost from other related parties | (86,745) | (69,046) |
| Net gain/(loss) on cash flow hedge | 42,142 | (5,668) |

- (b) The balances with related parties other than the entities controlled by the KSA Government are reported as due to and from related parties on the face of interim condensed consolidated statement of financial position. The balances with the entities controlled by the KSA Government are disclosed in the notes (ii) below.

- i) *Due from balances with the related parties:*

| | <i>31 March 2024</i> <i>SAR'000</i> <i>(Unaudited)</i> | <i>31 December 2023</i> <i>SAR'000</i> <i>(Audited)</i> |
|--------------------------------------|--|---|
| Entities under common control | | |
| Innovative Energy Holding Ltd | 4,598 | 4,598 |
| Other related parties | | |
| Advantage Drilling Services | 507 | 507 |
| | 5,105 | 5,105 |

Also, refer to Note 12 for the due from related party balance recorded under other receivables.

- ii) Other significant balances are as follows:

| | <i>31 March 2024</i> <i>SAR'000</i> <i>(Unaudited)</i> | <i>31 December 2023</i> <i>SAR'000</i> <i>(Audited)</i> |
|--|--|---|
| Bank balances and cash with other related parties | 134,289 | 45,267 |
| Interest-bearing loans and borrowings from other related parties | 4,572,543 | 4,606,293 |
| Trade receivables and contact assets from other related parties | 736,639 | 714,943 |
| Trade receivables and contract assets from joint venture | 11,979 | 10,386 |
| Derivative financial instrument with other related parties | 72,347 | 30,204 |
| Trade payables to other related parties | 138,621 | 128,570 |

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21 RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

Compensation of key management personnel

The remuneration of key management personnel during the period was as follows:

| | <i>31 March 2024</i> <i>SAR'000</i> <i>(Unaudited)</i> | <i>31 March 2023</i> <i>SAR'000</i> <i>(Unaudited)</i> |
|--|--|--|
| Total benefits (including salary and other allowances) | <u>2,648</u> | <u>2,920</u> |

In addition, key management personnel have benefits from share-based payments vested during the three-month period ended 31 March 2024 amounting SAR 35,576 thousand (31 March 2023: Nil).

22 DERIVATIVE FINANCIAL INSTRUMENTS

Fair value of derivative financial instruments are determined using valuation techniques based on information derived from observable market data.

The fair values of derivative financial instruments are as follows:

| | <i>31 March 2024</i> <i>SAR'000</i> <i>(Unaudited)</i> | <i>31 December 2023</i> <i>SAR'000</i> <i>(Audited)</i> |
|---|--|---|
| Derivative financial instruments designated as hedging instruments – cash flow hedges | | |
| Interest rate swaps | <u>121,743</u> | <u>51,517</u> |
| Current | - | - |
| Non-current | <u>121,743</u> | <u>51,517</u> |

Derivative financial instruments designated as hedging instruments – cash flow hedges

In 2022, the Group entered into three Interest Rate Swap (IRS) agreements with Banqe Saudi Fransi (BSF), Gulf International Bank (GIB), and Saudi National Bank (SNB) in relation to Loan 1 Syndication Facility A SAR portion (SAR 3,198,750 thousand). The objective of the cash flow hedge is to protect against cash outflows variability related to floating-rate interest payments on the hedged portion of the credit facility using the 6-month SAIBOR rate (as shown in the following table). Such cash outflows variability results from changes which may occur on the 6-month SAIBOR market rate (i.e. the designated benchmark interest rate).

In 2022, the Group entered into Interest Rate Swap (IRS) agreement with Banqe Saudi Fransi in relation to Loan 1 Syndication Facility A USD portion (USD 197,000 thousand– equals to SAR 738,750 thousand). The objective of the cash flow hedge is to protect against cash outflows variability related to floating-rate interest payments on the hedged portion of the credit facility using the 6-month LAIBOR rate (as shown in the following table). Such cash outflows variability results from changes which may occur on the 6-month LAIBOR market rate (i.e. the designated benchmark interest rate).

In 2022, the Group entered into three Interest Rate Swap (IRS) agreements with Saudi National Bank (SNB) in relation to Al- Rajhi Bank facility (SAR 937,500 thousand), Saudi National Bank (SNB), (SAR 870,331 thousand) and Banqe Saudi Fransi (BSF) (SAR 1,078,680 thousand) the objective of the cash flow hedge is to protect against cash outflows variability related to floating-rate interest payments on the hedged portion of the credit facility using the 3-month SAIBOR rate (as shown in the following table). Such cash outflows variability results from changes which may occur on the 3-month SAIBOR market rate (i.e. the designated benchmark interest rate).

ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

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(All amounts in thousands Saudi Arabian Riyal (SAR), unless otherwise stated)

22 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

During the period ended 31 December 2023, the Group discontinued Interest Rate Swap (IRS) agreement with Saudi National Bank (SNB) in relation to SAR portion of Loan 1 Syndication Facility A.

| <i>Borrowing (hedged item)</i> | <i>Type</i> | <i>Notional amount SAR '000</i> | <i>Hedged interest rate</i> | <i>Effective date</i> | <i>Maturity date</i> |
|--|-----------------|-------------------------------------|---------------------------------|---------------------------|--------------------------|
| Loan 1 Syndication Facility A | Syndicated loan | SAR 1,066,250 | Floating (6m-SAIBOR) | 01-Jun-22 | 31-Dec-29 |
| Loan 1 Syndication Facility A | Syndicated loan | SAR 1,066,250 | Floating (6m-SAIBOR) | 01-Jun-22 | 31-Dec-29 |
| Loan 1 Syndication Facility A | Syndicated loan | SAR 1,066,250 | Floating (6m-SAIBOR) | 01-Jun-22 | 31-Dec-29 |
| Loan 1 Syndication Facility A | Syndicated loan | SAR 738,750 (USD 197,000) | Floating (6m-SOFR) | 01-Jun-22 | 31-Dec-29 |
| Al- Rajhi Bank facility – fully hedged | Bank facility | SAR 937,500 | Floating (3m-SAIBOR) | 30-Jun-22 | 01-Jul-30 |
| Saudi National Bank – SNB partially hedged | Bank facility | SAR 870,331 | Floating (3m-SAIBOR) | 28-Apr-22 | 30-Apr-30 |
| Bank Saudi Fransi – BSF partially hedged | Bank facility | SAR 1,078,680 | Floating (3m-SAIBOR) | 13-Apr-22 | 30-Apr-30 |

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

| | <i>Total SAR'000 (Unaudited)</i> | <i>Level 1 SAR'000 (Unaudited)</i> | <i>Level 2 SAR'000 (Unaudited)</i> | <i>Level 3 SAR'000 (Unaudited)</i> |
|----------------------------------|--|--|--|--|
| 31 March 2024 | | | | |
| Derivative financial instrument: | | | | |
| Interest rate swap | 121,743 | - | 121,743 | - |
| | <i>Total SAR'000 (Audited)</i> | <i>Level 1 SAR'000 (Audited)</i> | <i>Level 2 SAR'000 (Audited)</i> | <i>Level 3 SAR'000 (Audited)</i> |
| 31 December 2023 | | | | |
| Derivative financial instrument: | | | | |
| Interest rate swap | 51,517 | - | 51,517 | - |

During the period ended 31 March 2024, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 at fair value measurements. (31 December 2023: Nil).

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(All amounts in thousands Saudi Arabian Riyal (SAR), unless otherwise stated)

23 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current period presentation. The following table summarises the effect of prior period reclassifications on the interim condensed consolidated financial position. Such reclassifications have not impacted the previously reported profit or equity.

| | <i>31 March 2023 (Unaudited)</i> | | |
|---|--|--------------------------------------|-------------------------------------|
| | <i>As previously reported SAR '000</i> | <i>Reclassification SAR '000</i> | <i>As reported now SAR '000</i> |
| Interim condensed consolidated Statement of comprehensive income | | | |
| General and administrative expenses | (99,566) | (4) | (99,570) |
| Other taxes | (155) | (1,705) | (1,860) |
| Other expenses | (5,171) | (232) | (5,403) |
| Other income | - | 237 | 237 |
| Income tax and zakat expenses | (16,400) | 1,704 | (14,696) |

24 SUBSEQUENT EVENTS

Subsequent to the three months ended 31 March 2024, five rigs contracts were suspended in KSA out of which 3 has already been awarded contracts and the remaining 2 rigs are currently in tender process in India and Nigeria.